EXPLANATORY MEMORANDUM TO

THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2026

2026 No. 545

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Ministry of Housing, Communities and Local Government (MHCLG) and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Alison McGovern MP, Minister of State at the MHCLG confirms that this Explanatory Memorandum meets the required standard.

2.2 Michelle Warbis, Deputy Director for Local Taxation and Pensions at MHCLG confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Bramman Rajkumar at MHCLG can be contacted by email at the following address with any queries regarding the instrument: lgpensions@communities.gov.uk. Alternatively, the department can be contacted by telephone: 0303 444 0000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument makes changes to the Local Government Pension Scheme in England and Wales (the LGPS), a funded, defined benefits public service pension scheme overseen centrally by MHCLG and managed locally by administering authorities. The members of the LGPS either work in or adjacent to local government and the benefits they are eligible for are set in legislation.

4.2 The changes made by this instrument relate to the introduction of governance requirements on LGPS administering authorities.

4.3 New requirements include two new statutory roles which administering authorities must appoint to: an LGPS senior officer and an independent person.

4.4 New knowledge and understanding requirements set out that persons exercising a delegated responsibility must have a working knowledge of the rules of the LGPS in order to carry out their roles properly.

4.5 Under the instrument, administering authorities are also required to publish three new policy documents: a governance strategy, a training strategy and a conflicts of interest policy.

4.6 The instrument introduces a requirement for administering authorities to undertake Independent Governance Reviews at least once in each valuation period and enables

the Secretary of State to direct that ad hoc governance review be carried out where there are concerns about governance.

Where does the legislation extend to, and apply?

4.7 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.8 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales.

5. Policy Context

What is being done and why?

5.1 LGPS members and employers are entitled to expect consistently high standards of governance across the scheme so that they can be confident their pensions are properly managed and administered. These policy measures are being introduced to ensure there is robust and resilient governance and administration in every administering authority in the scheme. While many LGPS administering authorities already have very high standards of governance, introducing requirements into legislation will ensure that all authorities implement best practice.

5.2 There is evidence to suggest that good governance also has financial and wider benefits through a governance premium for well governed pension schemes including improved resilience, more effective risk management and stronger long-term returns compared to less well governed schemes. Well governed schemes are likely to be more effective and agile, and therefore better at managing risk and picking up opportunities.

5.3 The introduction of a requirement for administering authorities to appoint a senior LGPS officer will ensure the fund's role is understood and represented at leadership level and that the function is properly resourced. This person will have senior responsibility across all pension functions of the authority.

5.4 Mandating that authorities maintain a governance strategy, training strategy and conflicts of interest policy, alongside appropriate knowledge and understanding requirements for committee members, will help ensure informed decision making and effective identification and management of conflicts. The governance strategy will replace the revoked requirement to publish a governance compliance statement. This should set out the terms, structure, and operational procedures of delegation of administering authority functions to a committee, sub-committee or LGPS senior officer. The training strategy should set out setting how the authority will ensure that any relevant person will meet the new knowledge and understanding requirements. The conflicts of interest strategy should set out the authority's approach to identifying, monitoring and managing actual, potential and perceived conflicts of interest in relation to the Scheme.

5.5 The purpose of the independent person is to support the discharge of delegated Scheme functions, including in respect of investment strategy, governance and administration. They will provide additional professional, independent expertise to support the committee on investment, governance and administration.

5.6 Regular independent governance reviews will add external scrutiny, helping to identify issues and promote the sharing of best practice across authorities.

5.7 The majority of our proposals are based on the recommendations submitted to MHCLG by the Local Government Association Scheme Advisory Board (SAB) in 2021 at the conclusion of their Good Governance project[1]. The majority (86%) of respondents to the 2025 Fit for the Future consultation[2] agreed with the government's overall approach to governance reforms.

What was the previous policy, how is this different?

5.8 Previous LGPS regulations required that administering authorities publish an annual governance compliance statement relating primarily to delegation and representation on pension committees. New requirements require a governance strategy, a training strategy (which covers how new knowledge and understanding requirements will be met), and a conflicts of interest policy.

5.9 Previously, in some administering authorities, the most senior officer responsible for administering the pension fund was also the Section 151 officer, with significant responsibility for functions across the local authority, rather than being solely dedicated to the LGPS. The new requirements set out that a Senior Officer is dedicated to the LGPS and has senior responsibility across all pension functions of the authority.

5.10 Most administering authorities delegate decision making to a pensions committee. Previously there were knowledge requirements for those sitting on pension boards, but these do not apply to members of pension committees who are composed of local councillors. These regulations will bring the knowledge requirements for committee members into line with those for board members, and ensure that both Senior Officers and pensions committees receive support from independent experts with pensions experience (the independent person).

5.11 Previously, only some administering authorities conducted independent reviews on a voluntary basis as part of their governance processes, but this was not mandated. This proposal ensures consistency across authorities by mandating that a review takes place once in every three-yearly valuation cycle. It also allows the Secretary of State to direct that a review takes place where there are concerns about the governance of an administering authority.

6. Legislative and Legal Context

How has the law changed?

6.1 The legislative framework for the governance of LGPS funds is set out in the Local Government Pension Scheme Regulation 2013. This instrument amends those regulations to introduce the requirements set out above and revoke the regulations requiring a governance compliance statement.

6.2 This instrument makes use of the power introduced in section 5 of the Pensions Act 2026 to make provision about Independent Governance Reviews.

[1] https://lgpsboard.org/our-work/project/good-governance/

[2] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/local-government-pension-scheme-england-and-wales-fit-for-the-future. Hard copies are available on request from the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London, SW1P 4DF.

Why was this approach taken to change the law?

6.3 Some administering authorities already meet some of the requirements set out in this instrument, but bringing in mandatory requirements through legislation ensures that there are consistent standards of governance across the scheme.

6.4 With the exception of the provisions relating to independent governance reviews, which rely on the Pensions Schemes Act 2026, secondary legislation is the appropriate mechanism to implement these changes, and follows precedent for details of scheme requirements for the LGPS to be set out in scheme regulations.

7. Consultation

Summary of consultation outcome and methodology

7.1 A public consultation on the policy proposals[3] was open between 14 November 2024 and 16 January 2025. The government's response[4] was published on 29 May 2025.

7.2 In accordance with section 21 of the Public Service Pensions Act 2013 the Secretary of State subsequently consulted on the content of the regulations. The consultation was open to the public from 20 November 2025 to 2 January 2026. Responses were accepted via MHCLG's consultation platform Citizen Space or via email.

7.3 Ninety responses were received, of which sixty-four were from LGPS administering authorities, eight from the LGPS asset pools, eight from consultancy or advisory firms, five from industry bodies or LGPS specialists, three from LGPS employers, one from the LGPS scheme advisory board, and one from a mayoral combined authority.

7.4 The majority of concerns raised were around resourcing, the timelines for implementation, and questions around consequences for not meeting the requirements in time. The final regulations include an extended deadline for appointing to the positions of Independent Person and Senior LGPS officer.

7.5 The government response to the consultation will be published alongside the laying of the regulations, and available on the consultation webpage[3].

8. Applicable Guidance

8.1 Guidance on the governance in the LGPS will be published by MHCLG online, in advance of the regulations coming into force.

8.2 Guidance on administration in the LGPS is expected be published by MHCLG online in late 2026.

8.3 Once finalised, both pieces of guidance will be published online on gov.uk (https://www.gov.uk/regional-and-local-government/pensions) and hard copies will be available on request from the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London, SW1P 4DF.

[3] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/local-government-pension-scheme-england-and-wales-fit-for-the-future. Hard copies are available on request from the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London, SW1P 4DF.

[4] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/outcome/local-government-pension-scheme-england-and-wales-fit-for-the-future-government-response. Hard copies are available on request from the Ministry of Housing, Communities and Local Government, 2 Marsham Street, London, SW1P 4DF.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this Instrument because it is not expected to have a significant impact on business. This instrument primarily makes provision relating to the governance and administration of the LGPS by administering authorities.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, direct impact on business, charities or voluntary bodies as the requirements imposed by this Instrument apply to administering authorities of the LGPS. Any additional costs which arise will be met by administering authorities. This may have an indirect impact on businesses or charities where their employees are members of the scheme, via their employer contributions (this could be a rise in costs, due to additional resourcing requirements, but could also lead to a reduction in costs, due to the good governance premium[5] driving greater returns for administering authorities).

9.3 There may be indirect impacts on Scheme employers, including charities and voluntary-sector bodies, where their employees participate in the LGPS, which could also impact employers' contribution rates. Such impacts could be upward or downward, reflecting both the costs of implementing strengthened governance arrangements and the potential longer-term benefits of improved governance, financial benefits through more effective risk management and investment decision-making.

9.4 The legislation does not impact small or micro businesses.

9.5 The impact on the public sector may include greater costs on administering authorities, in order to meet new training requirements, to make new appointments, and to commission new independent governance reviews. Additional costs will be managed through the normal LGPS funding arrangements, by the administering authorities of the LGPS, and is therefore not like to impact local authority funding arrangements directly. There may be indirect impacts on public sector employers in the scheme via their employer contributions, which could rise or fall following each set of triennial valuations.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the continuation of regular engagement by the Ministry of Housing, Communities and Local Government with administering authorities, the SAB and its subcommittees, and wider stakeholders. The statutory remit of the SAB includes providing advice to the Secretary of State on the desirability of making changes to the Scheme. Conducting a post-implementation review of changes would be considered part of the SAB's remit.

10.2 The instrument does not include a statutory review clause.

[5] https://www.pensionspolicyinstitute.org.uk/media/t2djkxca/201702-bn89-db-the-role-of-governance.pdf

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument represents the first use of powers in the Pension Schemes Act 2026 to make regulations about independent governance reviews in the LGPS. The instrument sub-delegates powers to the Secretary of State to publish guidance on certain areas. The Secretary of State has express powers to make provision containing such sub-delegation under section 3(3)(c) of, and paragraph 12(a) of Schedule 3 to, the Public Service Pensions Act 2013.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").